



PWM Weekly Observations

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Economic Growth Weakens While Inflation Rises

Why may we see economic growth continue to weaken in the coming months?

- Delta Variant upsurge causes consumers to pair back spending
- Unemployment benefits ending
- Hurricane Ida effects
- Looming government shutdown

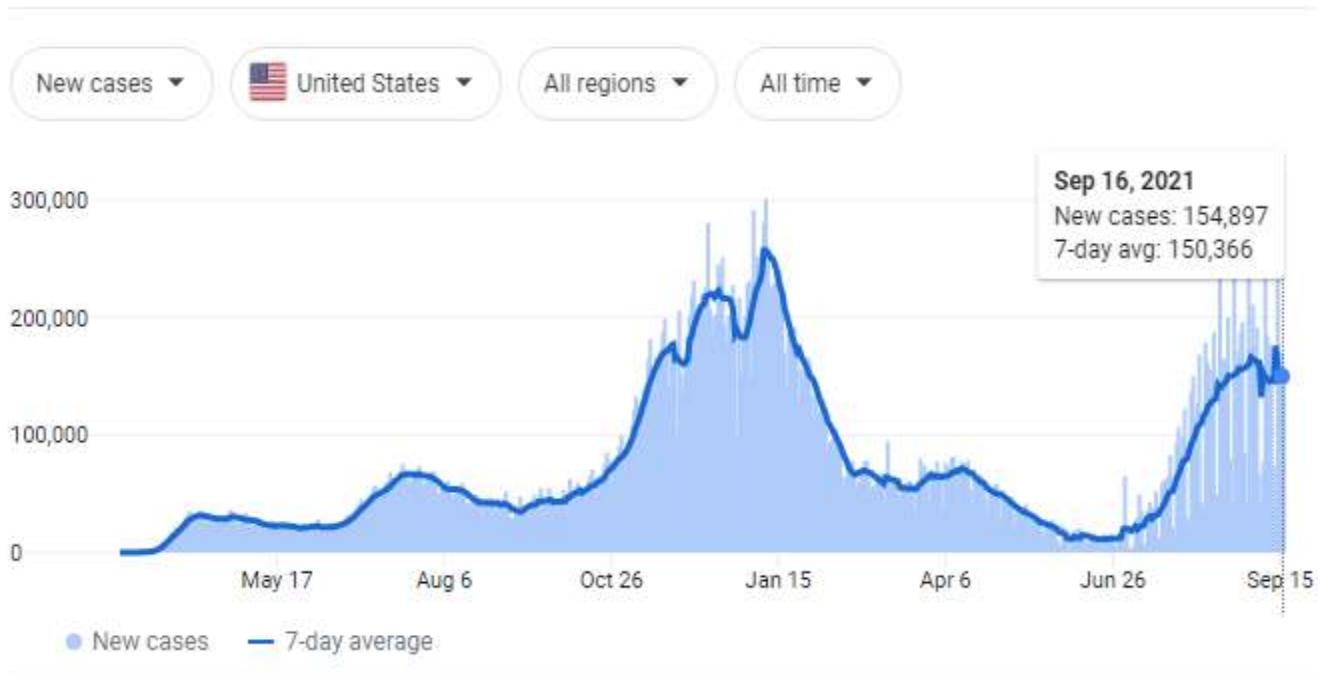
Why may inflation continue to rise?

- Material shortages
- Labor shortages
- Supply chain delays

In our view, we believe that COVID will be a primary market catalyst.

Has the upsurge in the Delta Variant peaked?

It appears that in the short-term this MAY be the case (please see chart on next page).

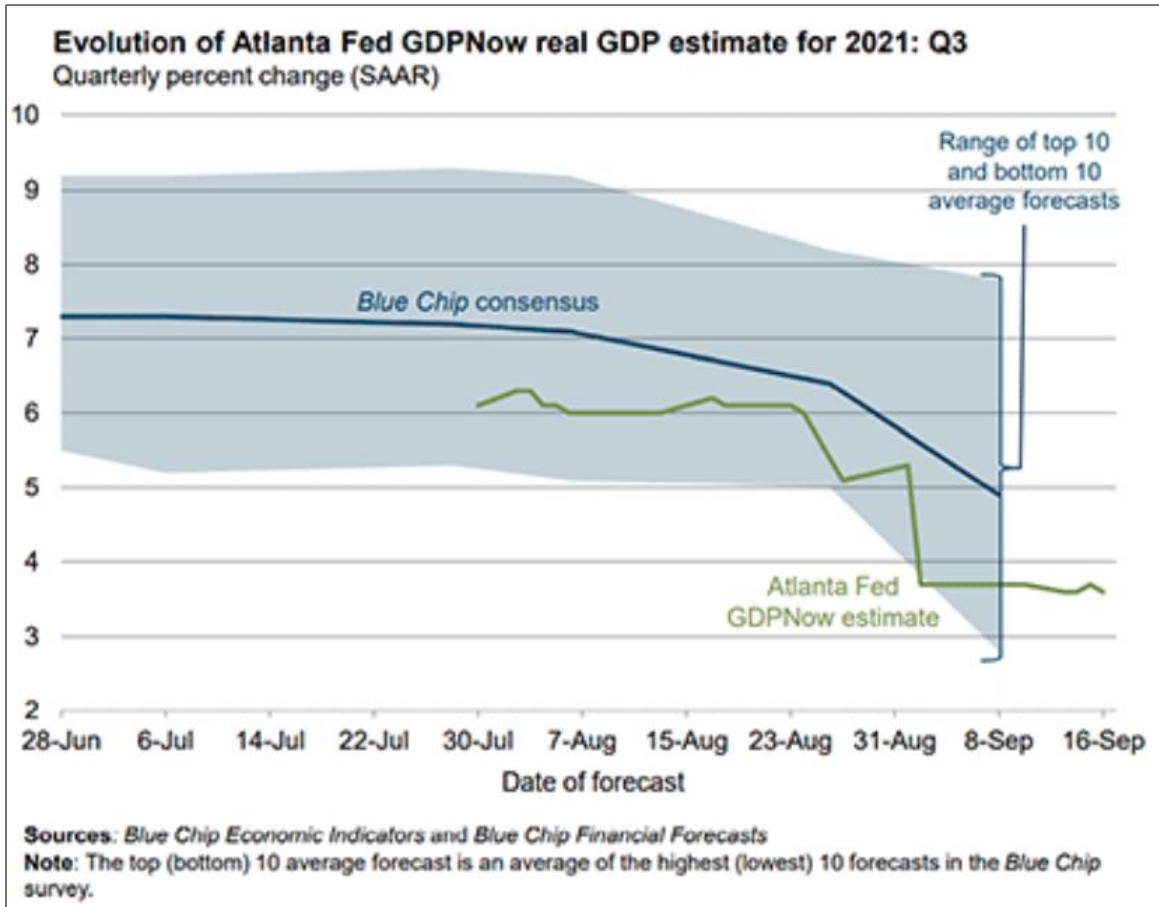


Source: The New York Times

So, if it appears the Delta Variant is POSSIBLY peaking, what is there to be concerned about?

- Schools back in session may reverse this.
- We are moving into the cooler months, so more people will be indoors.

Due to the spread of the Delta Variant late summer, we expect that momentum from the early part of the recovery will continue to erode. You can see below the Atlanta Fed's GDPNow Model showing a deceleration in their GDP forecasting estimates since May 1st. Their estimate slowed from 6.4% for Q3 to its current rate of 3.6%.



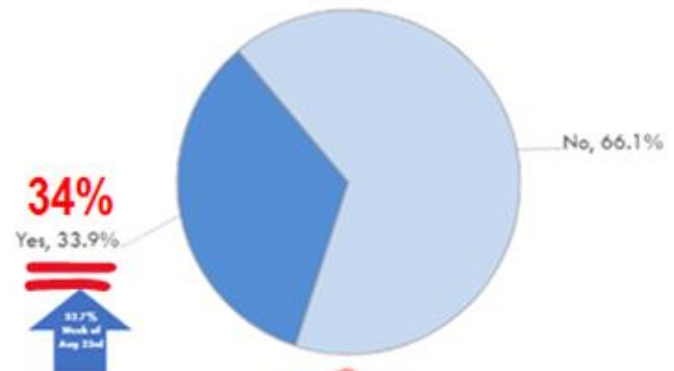
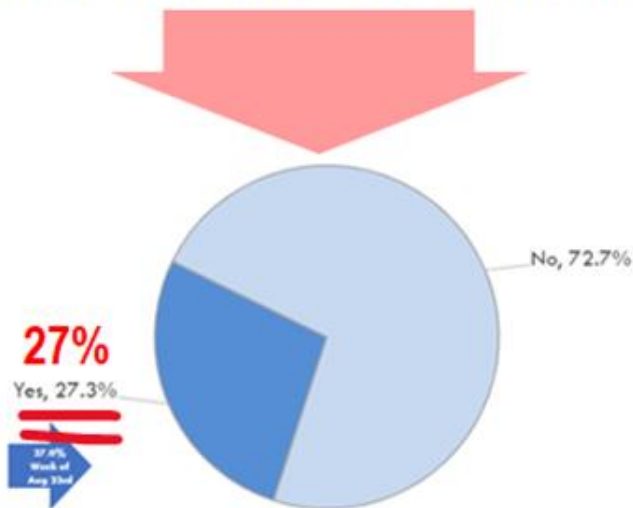
In speaking to many of our clients who are near or in retirement, most are staying home. Staying home generally means they are not spending as they normally would.



Data from DestinationAnalysts.com, a travel research firm that analyzes key traveling data, proves this point. Their latest survey highlights the extent that US consumers are panicking due to the Delta Variant upsurge.

- 59% of travelers are concerned about the Delta Variant
- 27% cancelled their trips
- 34% postponed their trips

CANCELLED TRIPS DUE TO THE DELTA VARIANT

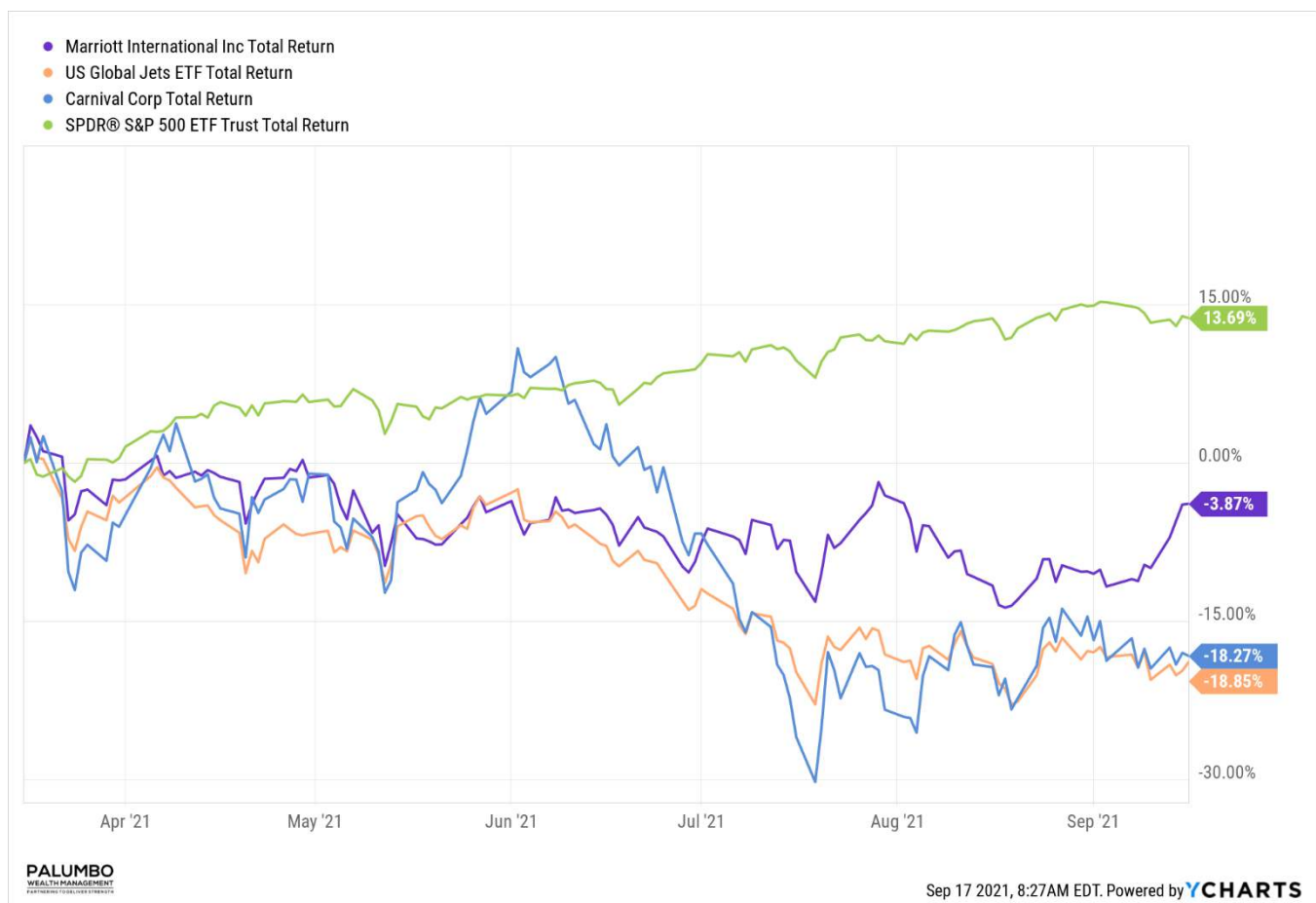


POSTPONED TRIPS DUE TO THE DELTA VARIANT

Has this effected the performance of the airline and leisure stocks?

The Delta Variant has had a direct impact on the performance of these stocks. Please review data below versus the S&P 500.

- Marriot -3.87%
- Carnival -18.27%
- JETS Airline ETF -18.85%
- S&P 500 +13.69%



As you can see, while the S&P continues to perform well, many key airline, travel and leisure stocks diverge from the S&P, which we think is a direct result of fears over breakthrough COVID cases. Furthermore, the Reuters/University of Michigan Consumer Sentiment Index is showing its lowest reading since 12/2011 (next page).



What does this mean for investors?

A simple formula to summarize:

Rising COVID cases=dovish fed that stalls tapering=low rates=market continue to make new highs (especially the speculative parts of the market).

Declining COVID cases=less dovish fed that begins tapering=rates move higher=markets correct (quality parts of the markets will do well).

Conclusion:

The following are the key messages we **ALWAYS** want to get across to our clients.

1. **Nobody with complete 100% accuracy can time markets.** The reason why this is so important to understand is if you tilt your portfolio in a way that follows a narrative that you believe will occur, **AND DOES NOT OCCUR, it can really hurt your long-term performance.**
2. Predictions/Analysis from Wall Street firms about COVID or ANY EVENT are exactly that, predictions, **not GUARANTEED TO OCCUR.** Optics from large institutions many times look promising, but even their greatest market analysts do not get the narrative consistently correct.
3. There is **no PLAYBOOK** for the current environment we are in.
4. The best strategy is to remain properly diversified, **ESPECIALLY** in an environment where valuations for **ALL RISK ASSETS ARE EXTREMELY**



STRETCHED. Also, remember that stretched valuations **ALONE** do not kill a bull market, **A CATALYST is needed.**

5. **Rebalance when there are dislocations in markets that you are invested in.** Right now, stock values in many investors' portfolios are greater than they normally are. Now is the time to reduce some of that risk. **Not because you are TIMING THE MARKET,** but you need to be consistent in the level of risk you take.
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What We're Reading

[*House Democrats Set to Propose Corporate Tax Rate of 26.5%*](#)

[*Democrats Release Details of Proposed Tax Increase*](#)

[*Moderna Developing COVID-19/Flu Booster Combination Shot*](#)

[*November? December? Fed's 'taper' timeline tied to volatile jobs data*](#)

[*Pfizer and Moderna investors brace for eventual drop in vaccine sales*](#)

[*Big picture appeal of Chinese assets remains strong*](#)

[*Americans' Support for Government Plunges*](#)

[*Falling Off a Cliff: Big Decline In Container Traffic*](#)

[*Debt Ceilings & Interest Rate Floors*](#)

[*Europe's energy crisis is making the market nervous. Record-high prices to persist*](#)

[*SALT Break Would Erase Most of House's Tax Hikes for Top 1%*](#)

Markets This Week

Equities across the board in all major indices as well as international and emerging markets closed down on the week. The inverse took place in fixed income markets as you often see with down equity markets as long-term treasuries lead the way. A strong dollar led to gold having a down week as well. Energy continues to have a back-and-forth year and as demand for energy across the globe increases, so do energy prices. (see table on next page)



US Equities	1 week	YTD	Fixed Income	1 week	YTD	Sector Breakdown	1 week	YTD
S&P 500 (SPY)	-0.91%	18.44%	20+ Yr. Treasuries (TLT)	0.53%	-5.06%	Consumer Disc. (XLY)	0.66%	14.70%
Dow (DIA)	-0.31%	13.53%	Barclays US Aggregate (AGG)	0.00%	-1.49%	Info. Technology (XLK)	-0.73%	19.83%
NASDAQ (QQQ)	-0.72%	19.32%	Intermediate Municipal (MUB)	0.00%	0.19%	Financials (XLF)	0.00%	28.04%
Russell 1000 Growth (IWF)	-0.64%	18.96%	US Corporate Bonds (LQD)	0.07%	-1.42%	Health Care (XLV)	-0.14%	17.65%
Russell 1000 Value (IWD)	-0.36%	17.17%	Barclays US High Yield (HYG)	0.19%	1.88%	Utilities (XLU)	-2.99%	6.68%
Vanguard Mid-Cap (VO)	-0.46%	18.18%				Industrials (XLI)	-1.60%	13.65%
Vanguard Small-Cap (VB)	0.15%	14.90%				Energy (XLE)	3.20%	31.52%
						Materials (XLB)	-3.19%	12.82%
International Equities	1 week	YTD	Commodities	1 week	YTD	Consumer Staples (XLP)	-0.72%	6.36%
MSCI EAFE (EFA)	-0.81%	10.33%	Commodities (PDBC)	0.99%	33.68%	Comm. Services (XLC)	-1.33%	23.43%
MSCI Emerging (EEM)	-2.13%	-0.58%	Gold (GLD)	-2.04%	-8.18%	REITS (VNQ)	0.00%	26.01%
						Homebuilders (XHB)	-0.85%	31.98%

The table above is an analysis of the weekly and year to date returns of various markets/sectors that we follow (More RED = worse performing markets/sectors; More GREEN = best performing markets/sectors). Source: IEX Trading & PWM Research.

Retirement Planning:

[Here's how long workers wait for a company's 401\(k\) matches to become theirs](#)

Vesting schedules can be a harsh reality to some 401k plans. Fewer than 1/3 of companies provide immediate access to company matches.

Estate Planning:

[House Democrats' plan drops repeal of a tax provision for inheritances](#)

The House recently took out a proposed levy on inherited property at death that it included in its original tax plan.

Tax Planning:

[Income, Estate, Capital Gains Tax Hikes & Retirement Crackdown](#)

The House is finally releasing details on how it will fund its \$3.5T Social Policy Plan. Here are some of the tax hikes you may see.

Health:

[The Pandemic Routines These Families Want to Keep](#)

The pandemic has taught us many ways we can adjust our lives, these families want to continue some of these routines to manage their day.

Entrepreneur:

[Business On A Budget? Try These Eight Easy Tips For Getting Free Publicity](#)

Growing your business is all about reaching as many consumers as possible. Here are some cost-effective ways to do so without breaking the bank.



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